



Gobi Regional Economic Growth Initiative

P.O.Box - 761
Ulaanbaatar - 49
Tel: 461145, Fax: 461048

Year One - First Quarter Report January 8 - April 7, 2004 Cooperative Agreement # 438-A-00-04-00002-00

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By

MERCY CORPS

**Contact Person: Steven Zimmerman
Mercy Corps Mongolia
24 Peace Avenue, Bayanzurkh District
Ulaanbaatar, Mongolia
Phone: 976-11-461-145
Email: szimmerman@mercycorps.org**

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GOBI INITIATIVE PHASE II – YEAR ONE - FIRST QUARTER REPORT

INTRODUCTION:

The Cooperative Agreement for Gobi Initiative Phase II was signed on December 31, 2003 and became effective on January 8, 2004. The final report for Gobi Initiative Phase I was completed and submitted to USAID on January 26, 2004.

Gobi II has the following goal, objectives and overall focus:

Program Goal:

- To develop and strengthen rural business in the Gobi region

Program Objectives:

- An increase in the number of new and strengthened productive Gobi businesses
- An increase in availability, access to and use of business information by Gobi entrepreneurs

Program Focus:

- Supporting herder groups that are expanding and/or diversifying their business activities
- Supporting the development of herder cooperatives
- Supporting businesses that add value to herder products and link those products to markets
- Promoting rural business linkages to the financial services sector
- Improving the quality and accessibility of local business development and support services

Program Highlights during this reporting period of January 8 to April 7, 2004 include:

- Convening of an Annual Planning Meeting from January 19 to 23 involving all Gobi II program staff. The meeting was held to discuss the various program components of Gobi II and how they will implemented. Also developed during the meeting was a timeline for implementation and identification of the lead individuals/teams responsible for ensuring effective, efficient and timely implementation.
- Completion of business planning, initiated under Gobi I, with seventy-two (72) herder groups/ cooperatives.
- Formation of thirteen (13) cooperatives from existing herder groups.
- Identification of initial non-herder business clients and a restructuring of the GI/client cost-share for GI provided technical assistance.
- Execution of first contracts between Ivanhoe Mines and GI clients for supply of gers and ger furniture.
- Completion of design work related to the loan guarantee program (funded by USDA), with agreements concluded with 3 of 5 cooperating banks.
- An initial reduction of the RBN print run as the new subscription program takes effect. Pact begins to look at creative ways to increase the number of long-term subscribers while ensuring timely and cost-effective delivery of the magazine.
- Receipt of the first promising results from the new RBN-509 SMS service, implemented in cooperation with MobiCom.

Detailed information concerning the two objectives and twelve activities is as follows:

OBJECTIVE ONE: INCREASE IN NUMBER OF NEW AND STRENGTHENED PRODUCTIVE RURAL BUSINESSES

Activity One: Business Plan Development

The business planning process that had been initiated at the end of the first phase of the Gobi Initiative was completed during in the first quarter of Phase II as a total of seventy two (72) business plans were finalized with herder groups and cooperatives in Bayanhongor, Dundgovi, Govi-Altai, Govisumber, Umnugovi and

Uvurhangai. During the final negotiations over the business plans, four (4) groups/cooperatives dropped out, bringing the total down from the original 76 (per the Year One Annual Work Plan) to the current 72.

Table 1: Business Plans in each Aimag

Gobi Initiative Aimag	Number of Plans
Bayanhongor (BH)	12
Dundgovi (DG)	11
Govi-Altai (GA)	13
Govisumber (GS)	5
Umnugovi (UG)	13
Uvurhangai (UH)	18
TOTAL	72

The business plans, initially prepared by the herder groups/cooperatives with assistance from GI aimag staff, were subsequently reviewed by GI Ulaanbaatar staff and revised in consultation with herder group/ cooperative members. A Memorandum of Understanding (MOU) was developed and signed between GI and each group/cooperative. The MOU is a working document that (a) clarifies the roles and responsibilities of GI and the groups during implementation of the business activity noted in the business plan, and (b), details the technical assistance and training that will be provided by GI to the group.

A listing of the seventy-two (72) groups/cooperatives and their proposed business activities is included in this report as Annex 1. An example of a business plan developed by one of the herder cooperatives is included as Annex 2.

Activity Two: Cooperative Formation

Of the seventy-two (72) groups that have developed final business plans, fifty (50) are now legally registered business entities (cooperatives, limited liability companies and partnerships) and the remaining twenty-two (22) are herder groups. During this reporting period, a total of thirteen (13) herder groups became formal cooperatives, completing their registration with the government authorities (3 groups in BH, 4 groups in GA, 2 groups in GS, 1 group in UG and 3 groups in UH). This was accomplished through assistance provided by GI aimag staff as well as six (6) organized training events covering essential cooperative-related topics, including cooperative management, structure and leadership, operations and marketing, record keeping and reporting, and taxation and regulatory compliance.

Table 2: Numbers of Herder Groups and Cooperatives/Registered Businesses

	Bayanhongor	Dundgovi	Govi-Altai	Govisumber	Umnugovi	Uvurhangai	April 2004	Jan 2004
Total	12	11	13	5	13	18	72	76
Co-ops & Registered Businesses	7	7	7	4	9	16	50	38
Herder Groups	7	4	6	1	4	2	22	38

Activity Three: Agriculture Training and Technical Assistance

As the herder groups/cooperatives finalized their business plans, the specific training and technical assistance needs of each group were identified. These assistance needs were categorized into four components: training,

consultancy, facilitating access to equipment (identifying potential suppliers and providing technical advice related to the use of the equipment) and facilitating access to financial services (primarily loans). Using the business plans, master schedules of planned training activities and technical assistance interventions were developed for each of the six aimags. This detailed planning was essential to ensure that the right assistance occurred at the right time, given that many of the business activities are very seasonal in nature. Each schedule contains the following information:

- A description of the specific training, consultancy, equipment or loan facilitation activity,
- The provider of the assistance (Ulaanbaatar or aimag consultant, GI staff, similar business or other provider organization),
- The time frame for implementation, on a weekly and monthly basis, and
- The individual or individuals responsible for supervision and monitoring of the activity.

An example of one of the training and technical assistance schedules (Umnugovi) is included as Annex 3.

During this quarter, a total of eighteen (18) separate training activities and technical assistance interventions were provided to the Gobi II herder clients. A listing of topics covered and the name of the recipient groups is included as Annex 4.

Activity Four: Acquiring Critical Inputs

During this quarter, GI facilitated the participation of sixty (60) herders in the trade fair organized by the Ministries of Food and Agriculture and Trade and Industry. The "Agricultural Techniques and Technology - 2004 International Trade Fair" took place between the 17th and 21st of March in Ulaanbaatar. The trade fair provided the opportunity for agricultural machinery and equipment suppliers and other businesses involved in the agricultural sector to display their products and to provide information regarding the services offered by companies working in this sector of the economy.

The sixty herders were all master herders or members of the groups/cooperatives with which GI is working under Gobi II. The trade fair provided the herders with the opportunity to see examples of the equipment that they plan to purchase, to discuss technical aspects with exhibitors, and to collect price information on the machinery and equipment available in-country. During their week-long stay in UB, the herders also visited nearby businesses and participated in two training events. One group of 23 herders interested in beginning or expanding dairy production visited the "GUM" dairy processing factory. A second group of 21 herders visited a number of small dairy farms in the Songino Hairkhan district of Ulaanbaatar. Another group of 25 herders visited two felt processing factories in Ulaanbaatar, and 2 groups participated in training sessions conducted by experts on vegetable and dairy production. The master herders also participated in a meeting with GI senior staff, providing an opportunity to discuss the Gobi II program, its objectives and the planned activities for the coming year. The meeting enabled GI staff to receive feedback from the herders on the recently completed business planning process and how GI can best provide assistance to the herders on an ongoing basis.

A comprehensive listing of all machinery and equipment requirements has been prepared using information contained in the business plans. GI staff have made contact with a number of agricultural machinery suppliers in Ulaanbaatar and are currently working with them to obtain technical specifications and pricing information. The prices have been disseminated to the herders, and GI staff in both the aimags and in UB will assist the herders to (a) select the most appropriate machinery for their needs and (b) facilitate the purchase of the machinery from the suppliers.

A total of fifty one (51) herder groups/cooperatives and two (2) non-herder businesses have identified the need for external financing to undertake their planned business activities. All of the banks operating in the six aimags were approached to determine their interest in participating in a program which would provide loans to the herder groups/cooperatives, in accordance with their business plans, with any additional collateral requirements provided by Mercy Corps. Five banks confirmed their interest in participating: Xaan Bank, XacBank, Zoos Bank, Capital Bank and Mongol Post Bank. A local collateral agreement was drafted and, as of April 7, 2004,

had been signed with three of the five banks. All Gobi II program clients will select the financial institution with which they will work, based on past business relationships, bank branch accessibility and loan terms. GI aimag staff have begun assisting the herder groups/cooperatives with preparing loan applications and other required documentation. The loan guarantee component of the project is financed under the USDA-supported 'Rural Agribusiness Support Program'. The initial external financing needs, as per the completed herder group/cooperative business plans, total approximately MNT 120,000,000, or \$102,000.

Activity Five: Long-term Technical Assistance to Non-Herder Businesses

The Aimag Representative offices have selected a total of nine (9) non-herder businesses that will receive long term technical assistance during the course of the year. The program developed a set of criteria to assist program staff in the selection of businesses. The criteria included a determination as to who ultimately benefits from the assistance provided to the company (producers who provide raw material to the company, employees of the company, consumers of the company's products, and/or local residents who benefit from the taxes paid by the company). Other selection criteria included an identified GI training and technical assistance role with specific expected results, a willingness and ability on the part of the company to share in the costs of the technical assistance, and the existence of a solid business plan (which could be the first activity undertaken with the company).

The following non-herder businesses have been selected for long-term technical assistance during 2004:

Location	Name of Business	Brief information on Business	Assistance to be Provided
Govi-Altai aimag, Darvi soum	"Buyan-Undral" cooperative (Note: this cooperative is considered to be "non-herder" given its history, size and mixed membership)	Created from the former Undral collective farm in 1991 and reorganized as the Buyan-Undral cooperative in 1999. 238 members with a management staff of 5. Engaged in procurement and sale of animal products, export of wool, trade, and credit & savings activity. Annual sales of MNT 156 million. Plans to invest in wool washing equipment to double wool exports to China.	1. Loan facilitation - April/May 2. Assistance in acquiring wool washing equipment - May 3. Wool processing technology - June
Gobi-Altai aimag, Altai city	"Arvin Belt" LLC	Construction company established in 1992. One of the largest employers in the aimag with 85 full & part time workers. Produces various construction products including iron/concrete, door and window frames and bricks. Plans to invest in more modern brick making equipment and set up "mobile teams" to work in soums.	1. Marketing of construction products - April 2. Management - staff team building and human resources management - May 3. Financial management - June
Bayanhongor aimag, Aimag center	"Sulden Tenger" cooperative	Baked goods company established in 2001, producing bread, pastry and cakes. 21 employees and annual sales of MNT 43 million. Plans to increase sales and market share.	1. Management - staff development/retention and human resources management - April 2. Marketing and product promotion - June
Bayanhongor aimag, Aimag center	"Dorniin Gegee" LLC	Food/vodka production company and restaurant established in 2001. 40 employees and annual sales of MNT 165 million. Plans to upgrade restaurant operation and increase sales and market share of	1. Marketing and product promotion - April 2. Human resources management - May 3. Restaurant operations and management - June

		its sausage production.	
Uvurhangai aimag, Khujirt soum	"Molor Khuleg" LLC	Vodka production company established in 1992. Expanded in 2002 to mineral water, soft drink and bakery production. 50 employees and annual sales of MNT 85 million. Plans to drop vodka and start dairy production.	1. Baked goods and sweets production technology - May 2. Milk processing and dairy products - June 3. Marketing and product promotion - July
Uvurhangai aimag, Bat-Ulzii soum	"Suun Dalai Travel" LLC	Started as a dairy business in 2000, expanded into hotel (10 beds), restaurant and bakery in 2003. Production of 10 dairy items on a seasonal basis, directly supplying the UB market. Has also opened a small carpentry shop for production of gers/ger furniture. 15 employees.	1. Hotel/restaurant operations and management - April 2. Bakery production - May 3. Milk processing and dairy products - June 4. Marketing and product promotion (ger products)
Dundgobi aimag, Aimag center	"TEBBE" LLC	Ger/furniture-making and repair company established in 2002. 10 employees and annual sales of MNT 2.8 million. Plans to expand operations to provide furniture under contract to Ivanhoe Mines.	1. Marketing and business management - April 2. Furniture-making technology/labor safety - May 3. Collaborative production with herder groups providing felt ger lining - June
Dundgobi aimag, Aimag center	"Goviin Tenger" LLC	Originally founded in 1942, was privatized in 1994. Produces bread, pastries, noodles, and vodka. 45 employees and annual sales of MNT 371 million. Plans to install more modern and efficient baking equipment.	1. Business plan development (2004-2005 update) - April 2. Identifying suitable new machinery/suppliers - April 3. Providing technical training on use of new equipment-May
Gobisumber aimag, Aimag center	"Choir Buyant" patent holder	Baked goods company established in 2001, producing bread, cakes and pastries. 5 employees and annual sales of MNT 21 million. Plans to upgrade facilities and baking equipment.	1. Loan facilitation - May 2. Equipment facilitation - May/June 3. Bakery technology - June 4. Financial management - October

Each business will be expected to contribute towards the expenses related to receiving technical assistance (cost share). The business will pay a part of the consultant's fee as their cost share; GI will cover the remainder of the consultant's fee and the travel and per diem expenses. The actual amount to be paid by each business will be based on the following criteria: (a) annual sales, (b) total assets, (c) number of years of operation, (d) previous GI assistance, and (e) location (aimag or soum). The minimum amount paid by the business will be 22% of the consultant's fee (MNT 25,000); the maximum will be 50% of the fee (MNT 57,500). Consulting agreements will be tripartite, between GI, the consultant and the client business. The business will pay its share of the consultancy expense directly to the consultant.

All non-herder businesses are currently finalizing their business plans and will submit them to GI by the end of April 2004.

Activity Six: Short-Term Technical Assistance to Non-Herder Businesses

During this quarter, no short-term technical assistance was provided to any non-herder businesses. GI staff have, however, received requests from a number of businesses, and a list of potential clients was being prepared as the first quarter came to an end.

Activity Seven: Local Capacity Building for Training and Technical Assistance

Of the eighteen (18) training and technical assistance activities during the quarter, sixteen (16) were facilitated by local consultants based in the aimags. The remaining two (2) training activities, one on marketing and one on production of animal feed and mineral nutrition blocks, were provided by UB-based consultants. As part of the program to develop the capacity of local providers, the two UB consultants were paired with two local consultants. The standard UB consultant scope of work was modified to include a requirement that the UB consultant provide training and assistance to a local (aimag-based) expert or "counterpart". These counterparts, selected by the aimag-based program officers, must complete pre- and post- tests to determine the additional knowledge gained during the interaction with the UB-based consultant. The pairing of UB and local consultants will be an ongoing activity for all consultants hired and sent to the field from Ulaanbaatar.

Five (5) of the local training events were "centralized", bringing together a number of groups that had requested the same training topics. The topics included cooperative development, marketing, and vegetable and animal fodder production/cultivation. In addition to being more cost-effective, these centralized training activities provided the opportunity for herders who are engaged in similar activities to exchange experiences, contacts and useful information such as market opportunities.

GI has begun to compile a comprehensive roster of all training and technical assistance providers based in Ulaanbaatar and the six Gobi aimags. To update the listing carried over from Gobi I, an advertisement was placed in the national newspapers inviting all potential providers to submit resumes detailing experience and qualifications to the Ulaanbaatar office. GI staff have also contacted the local aimag-based providers to request that they also submit their details. The roster, in database form, will contain the names, contact information, qualifications, and specific technical assistance that the individual is qualified to provide. The GI Aimag Representatives have also begun to further develop relationships with institutional training providers within the aimags. GI will explore opportunities to use these local providers when the needs identified by the clients match the expertise offered by the institutions.

In response to a recent advertisement for individuals/organizations to assist with local (herder) association/NGO capacity-building, we received nineteen (19) expressions of interest.

Activity Eight: Market Development

As noted in the Annual Work Plan, GI intends to organize only one (1) major market event in each aimag during 2004. During this quarter, initial contacts were made with the respective local governments to discuss the scope and timing of the events. Intended as a wider agricultural and livestock trade fair, as opposed to a narrowly-focused cashmere fair, the event will showcase local products in addition to cashmere such as vegetables, dairy goods, hay/fodder, elite animals, agricultural equipment and inputs (seeds, fertilizers), wood and felt items, etc. It will also offer the opportunity for the herders to exchange information, make business contacts with potential buyers, and explore market opportunities. GI will not fund the entire event as it has in the past; it is expected that the GI aimag offices will secure other financial support for the event, including funding from local government and local businesses. One program officer based in Ulaanbaatar will be responsible to work with the aimag offices to organize the events. Preliminary schedules for the events range from late August to late September depending upon location. One of the first confirmed events, in Uvurhangai, will be held from September 23rd to 25th. "UV Partnership" will be co-sponsored by GI, the local government and the private sector. Delgereh Company has already offered space for the event with the idea that such space will be rented to exhibitors to help finance the event.

In early March, GI senior staff visited the Ivanhoe "Oyu Tolgoi" mining site in Umnugovi, in order to familiarize themselves with the mining activities there and to explore and expand business linkages between local producers and the Mine. To date GI has successfully facilitated contracts between two ger/ger furniture makers and the Mine, valued at MNT 120 million (\$101,700). The businesses involved are: "TEBBE" LLC (Dundgovi), a current long-term technical assistance client that has already supplied 5 gers and is currently working on an order for 100 wooden beds, and "Tsogtiin Shar Moron" LLC (Dundgovi) that also supplied 5 gers and is currently producing 59 more. Ivanhoe is also planning to buy wood office and residential furniture from "Gal Munkh" LLC based in Umnugovi aimag with production scheduled to begin in June 2004. It is interesting

to note that both "TEBBE" and "Gal Munkh", which had previously relocated some of their operations to Ulaanbaatar, are now bringing the machinery and staff back to their respective aimags.

GI is continuing to explore the supply of other products to the mine, particularly vegetables and dairy. With the production season just getting underway, such potential linkages will become more tangible over the next 4-5 months.

The first of several planned marketing trainings were held with the six (6) aimag-based Marketing/ Information Officers and four (4) UB-based program staff, to prepare these staff members so that they can provide marketing assistance to Gobi II program clients. The training topics included strategic planning, market environment analysis, marketing research/planning, market demand measurement, market segmentation, advertising and trade show event organization.

Activity Nine: Local Capacity for Advocacy

GI had planned, during the first quarter, to focus its efforts with respect to the existing herder associations on helping them to better define their respective missions. It became clear, however, that there still exists considerable confusion over the role of the associations vs. that of the GI program offices. Earlier efforts to establish the associations as "successors" to GI were largely misguided, and the subsequent attempts to clarify the role that associations and NGOs play in the development process have yet to result in a complete understanding among GI aimag staff. Consequently, during the second quarter GI will undertake a study, in cooperation with the leaders and most active members of the association/NGOs, to understand why and how the associations/NGOs were first formed, how they are currently managed, who really leads the organizations, whether or not there is a clearly defined mission, and who and how many individuals constitute their membership. Once this basic information has been gathered and the need for such an organization has been determined (assuming such a need truly exists), GI will work with each organization to help define what it hopes to achieve and to determine whether it should be an "association" or an "NGO". Those efforts will be followed by the development of a detailed business plan that outlines what the organization will do and how. These activities will be undertaken during the second quarter and managed by the Aimag Representatives, with significant support from senior UB program staff.

Activity Ten: Local Government Support for Business

No specific activities have been implemented during this quarter, as initial project efforts have been focused on herder and non-herder businesses. The project will begin work on this activity after the June elections.

OBJECTIVE TWO: INCREASE IN AVAILABILITY, ACCESS TO AND USE OF BUSINESS INFORMATION

Activity One: Business Information

CRSP Forage Forecasting

Due to the delay in funding and finalization of the subcontract between Texas A&M University (TAMU) and Mercy Corps, this component of the project has not been a major focus of the first quarter. The CRSP team at TAMU has begun the initial preparation of scientific tools and satellite imagery. Meanwhile in Mongolia, office space and equipment has been prepared and qualified Mongolian staff have been identified with the initial interviews conducted. Plans for field trips during June have been prepared and it is expected that a team of five (5) scientists from TAMU, together with the GI team, will spend three (3) weeks in the project area collecting the initial field data.

Production and Dissemination of RBN Mongolian Magazine

In January and February, Pact produced and distributed two issues of RBN magazine, each with a print run of 10,000 copies. For these two months, there were approximately 7,000 subscribers. An additional 2,000+ copies were sold through numerous outlets nationwide. RBN marketing activities conducted in January resulted in an

additional 500 subscribers. Promotional activities were undertaken, including direct mail to potential subscribers, the issuing of press releases, and the placement of street banner ads. Banners were also distributed to rural aimags for promotional purposes during public events.

In March, Pact produced and distributed 5,000 issues of RBN magazine. There was drop in circulation as a result of the close of last year's "Pilot Sale" in Uvurhangai aimag, which had a remaining 3,700 subscribers. These subscribers will be able to renew only from April 2004 since both Mongol Post and UB Post only allow for subscription renewal on a quarterly basis. An initial drop in subscription in this aimag should be expected due to the fact that the copies will no longer be hand-delivered to every reader by the GI Information Outreach Officers.

With the restructuring of the Gobi II program, RBN has become more of a niche publication focusing exclusively on rural business with relevance to readers in the Gobi Region. Currently RBN anticipates an average of 2,800 subscribers for the period January 2004 – June 2004, excluding the 3,700 Uvurhangai subscribers remaining from the "Pilot Sale" (it is currently unknown how many of these subscribers will renew). This initial number of subscribers is less than originally anticipated due to:

- the distribution of newspapers and brochures for free during the current election campaign season, which reduces the demand for paid publications, and
- difficulties experienced by both Mongol Post and UB Post with on-time delivery of the paper to rural subscribers, particularly those in distant soums (Pact has held discussions with them on this issue).

Pact has recently concluded an agreement with all Market Watchers to act as direct sales agents in the countryside beginning in May. A preliminary survey conducted by Pact through the Market Watchers indicates that at least 1,000 copies of RBN could be sold initially on a non-subscription basis. Additional copies will continue to be available from the six GI offices. An increase in subscriptions is also anticipated in May when herders have more cash from their cashmere sales.

Current subscription figures for tabloid weeklies such as *Khuumus* and *Seruuleg* range between 18,000 and 28,000, and for mainstream dailies such as *Zunee Medee* and *Unen*, between 7,000 and 9,000. RBN's nearest competitor, *Business Times*, has approximately 900 subscribers (Statistics from: Mongolian Media Monitoring 2002 - Press Institute of Mongolia). All of these publications are offered through Mongol Post. Given that RBN has now entered the market as a more customer demand-driven publication, the current subscription figures are what should be expected for a monthly niche magazine. Another factor to consider is that RBN electronic media has increased its frequency and reach over the past few months and more people in the Gobi have access to this media at no or minimal cost. To boost subscriptions, Pact has held discussions with Ivanhoe Mines about the possibility of purchasing RBN for their workers' families in the Gobi. Currently Pact is also working on a revised sales plan to increase non-subscribed sales of RBN magazine through other channels.

The publication has kept up its tradition of providing educational articles and advice on rural business and agricultural development. Each issue included content that reflects GI objectives and rural economic information needs - including Lead Story, Herders Tip, Farmers Tip, Regional Pages, Policy Watch, Seasonal Weather Watch, and Q and A. In addition, RBN has also provided more technical materials, in-depth analyses and summary sidebars, including, as an example, a recent story on "Market Research" written by a leading expert from the Institute of Finance and Economics. The magazine is moving away from its old stringer-based, standardized writing style into a proper mix of expert opinions, local "real life" examples, and summary sidebars. Reader feedback indicates that the stories are well written and they are now requesting more stories highlighting advanced technology and business tips. As a result, Pact is currently preparing a monthly two-page insert with each insert focusing on a particular topic such as "Vegetable Production and Storage", "Forage Crops", "Dairy Business", etc.

Production and broadcast of RBN Weekly Radio Programming

During the first quarter, Pact continued producing the weekly RBN radio program containing price information and other business news. A new segment of the program was launched - "Learning from Business", which is a

weekly program consisting of features, interviews and success stories. The program recently featured the Gobi Sky Company in Dundgovi and its better business practices. A mix of live sound interviews, "vox-pops" and opinions from a business expert were used instead of the now-outdated style of non-stop talk between a single host and guest. The current RBN radio program consists of Market Watch, Policy Watch, Weather Watch, and Animal Husbandry Management (which evolved into a new segment called "Learning Agri-Business" which is a mix of a herder business success stories and tips on rearing livestock).

A roundtable discussion around the lead story in RBN magazine was produced in February and March, enabling listeners to hear the views and opinions of renowned experts in their respective fields. The February program featured "The Future of Animal Husbandry in Mongolia" and March offered "From Consumption to Commercial Business". Positive feedback was received from both the University of Agriculture and the Ministry of Nature and Environment, especially related to the "The Future of Animal Husbandry in Mongolia" story written by USAID's Daniel Miller. During this three-month period, Pact produced and aired over 2,000 minutes of radio programming, including weekly episodes of the popular radio drama series "Herder from the Future". At the request of listeners, Pact also conducted an informal survey on possible extension of Market Watch price information to other commodities. The Program Officer for Market Watch is currently investigating new items to be highlighted during the program, including vegetables, seeds, agricultural equipment and select vehicle and agricultural machinery spare parts.

According to a survey conducted by the Monitoring Department of Mongol Radio, the RBN radio program was ranked fifteenth (15th) out of ninety-six (96) programs that are regularly broadcast on Mongol Radio. None of the other business/rural development programs aired on Mongol Radio ranked above RBN; the majority of programs with higher rankings remain the entertainment and music programs.

Pact has also initiated preliminary negotiations with selected rural radio stations, looking at the possibility of providing them with the in-house produced RBN radio program. In anticipation, Pact has begun duplicating the programs and negotiating with relevant organizations to get these products delivered.

Feedback from listeners indicated that they enjoy the radio programming and want more detailed information on different businesses. Requested topics include veterinary services, the new land law, fodder planting and production, small business tips, insurance programs, the use of agricultural machinery and government policy on cooperative development. Pact plans to include these topics in its broadcast schedule. Listeners also indicated that the RBN Weather Watch program was the most accurate currently available and that they appreciated the greater detail provided by RBN vs. the summary weather program traditionally broadcast by Mongol Radio.

Herder from the Future Radio Drama (25 programs)

In January, Pact started airing the third 25-part series of the radio drama "Herder from the Future" (HFF). In the survey conducted by the Monitoring Department of Mongol Radio, "Herder from the Future" was ranked thirty-first (31st) out of the ninety-six (96) programs and Pact is now attempting to increase the listening audience through intensive promotion of HFF through RBN magazine and radio. A focus group survey will be undertaken in the second quarter to identify key impacts of the program and to determine additional content needs, enabling changes to be made in the fourth series of the drama while it is still in production. Selected rural radio stations will possibly rebroadcast the programs in response to local demand.

Production and dissemination of Market Watch

Pact collected highly-valued commodity price information during the reporting period. The information was collected on a daily basis in twenty (20) aimags as well as from the two (2) large raw material markets in Ulaanbaatar. The information was disseminated via three different media:

- **RBN-509 (MobiCom SMS service).** According to a report from MobiCom, 1,190 individuals accessed pricing data in January, 792 in February and 1,136 in March. The detailed access bills shows that approximately 40 percent of these calls were made from rural areas. In an attempt to increase the usage of

this medium, a small marketing campaign was conducted in February/March and Pact distributed 10,000 copies of a 509 brochure nationwide to instruct cell phone users on how to use the system.

- **RBN Radio-Market Watch Program.** Throughout the reporting period, Pact focused primarily on prices for cashmere, meat, sheepskins, other hides and intestines. As the cashmere-combing season approaches, Pact will begin broadcasting more detailed cashmere price information and a broader market perspective in order to give herders a better understanding of both global and local market dynamics and price trends so that they are better able to manage expectations and make plans. A cashmere round-table discussion is also being planned to coincide with this effort.
- **RBN magazine.** The January issue highlighted sheepskin and hide sales while the February issue focused on cashmere market research. The March issue covered mutton and beef prices and provided readers with detailed explanations concerning the factors that influence these prices.

During the quarter, Market Watch staff also conducted a small survey for "Eermel" Company on the wool market stock in select rural aimags.

Dissemination of Market Watch information continues to ensure the elimination of raw material price differentials across Mongolia. At a meeting held with the CTO of the USAID Mission in Mongolia, consensus was reached to increase the number of commodities covered by Market Watch. To determine which items should be added, a preliminary survey was initiated just prior to the end of the quarter. As the survey output is revealed, we will select relevant commodities and collect and disseminate more information as needed. Pact also held meetings with cashmere processing companies and, as an immediate result, four companies purchased "Market Watch-Cashmere Instant Message" on weekly basis.

RBN Website

Pact has continued to regularly update the RBN website (www.rbn.mn). Some improvements were made in design, which will be launched at the end of April. The website pulled together all rural business news reported elsewhere under RBN services and products, targeting primarily the rural business people residing in aimags who have access to the internet. The uploading of RBN radio programming to the website is being further investigated.

Production and Broadcast of RBN TV Programming

Ten-minute television programs were produced in February and March. The February program documented business success stories of the "Gobi Sky" Company in Dundgovi aimag. The March program covered the "Hamtiin Huch" herders group in Umnugovi aimag.

The overall scripting and direction of these programs occurred under the supervision of Pact technical content staff. The Pact Senior Media Producer traveled with a team of Mongol TV technical staff to Dundgovi and Umnugovi aimags to shoot the two programs over a period of six days. Considerable changes were made to the style and format of the programming, including the elimination of the "talking heads" of the past. RBN's previous programs that were produced by Mongol TV were largely seen as a promotional piece for the featured business. After a significant round of negotiations with Mongol TV, the program has undergone changes and now features a more "viewer-friendly" mix of interviews, "action footage", expert opinion and the creative use of bullet points and/or rolling text to highlight and summarize important information and conclusions.

These programs, broadcast on Mongol TV during their "Four Seasons" economic program, now have their own RBN identity and contain USAID logo and credits. Video studio equipment that was received as part of a grant from the US Embassy has enabled more in-house production of RBN programs.

Activity Two: Local Capacity for Information Dissemination and Communication

During this quarter no significant activities were implemented in this area. As part of initial planning related to this activity, a field trip to Govi-Altai and Bayanhongor was initiated just as the quarter ended. The objective of the trip was to assess information dissemination realities and needs in the aimags. It is envisioned that the

information gathered will enable program staff to develop targeted, needs-driven trainings and seminars for herder and non-herder associations, NGO's and local government on the 'How To' of business information dissemination. The trainings and seminars will be implemented towards the end of the year after the elections.

COLLABORATION WITH OTHER PROJECTS

Mercy Corps has held numerous meetings with various donors and other implementing agencies, including Chemonics, SDC, ADB, JICA, World Bank and V.E.T.Net, a local NGO. Most of the meetings were focused on providing background information on GI, but at least two also concentrated on possible areas of collaboration. SDC is currently revising its country strategy and has expressed an interest in assisting research institutions involved in improving the in-country vegetable/crop seed stock. With herders now beginning to explore farming activities in addition to herding, this is of significant interest to GI. V.E.T.Net, a local NGO with the mission of improving private veterinary services has also expressed an interest in working with GI. Possible areas of cooperation, to be more fully explored in the coming months, include facilitating the acquisition of more effective vaccines to combat foot and mouth disease, and providing continuing education for veterinarians, vet technicians, herders and people involved in the livestock production system.

The World Bank visitors to GI (from GlobalAgRisk, Inc.) were interested in talking about an animal livestock insurance program, planned as an integral part of the "Reducing Vulnerabilities" component of the new Country Assistance Strategy. JICA was interested in learning more about the GI herder group formation methodology and ADB was interested in GI views on the GoM's "regionalization" strategy. Chemonics staff (Bruce Harris) met with GI to learn more about the program, and in particular, the work of GI in the cashmere sector.

In two aimags, Uvurhangai and Dundgobi, GI and the Mercy Corps TAN NGO Strengthening Program (TAN) have combined programmatic efforts to address the capacity-building needs of herder associations and other civil society organizations. Starting April 26, 2004, GI staff, along with local experts, are to be trained in TAN's Training of Trainers Program which is aimed at increasing local training competency in key subject areas: fundraising, financial management, personnel management, advocacy and lobbying. This cadre of local trainers, once certified, will then be contracted to address the organizational capacity needs of herder associations and other civil society organizations. Additionally, GI's work on strengthening the local government's responsiveness to rural business development has been augmented by TAN's consultative efforts to identify more transparent and effective local government procurement mechanisms.

PROGRAM MANAGEMENT

Program management highlights during this first quarter included:

- Rural Economic Development Advisor and Deputy Chief of Party Sean Granville-Ross arrived on January 19, 2004.
- The previously separate Regional Economic Development and Research and Program Development departments were combined to create a single program department. Aimag-based Program Representatives now report to the Director of Program, Bayan-Altai. The Technical Support Unit was created within the Program Department to provide day-to-day technical (business, agriculture/livestock) support to the aimag offices.
- The allocation of staff time and cost between Gobi II and other Mercy Corps projects was determined. In accordance with one of the terms in the new Cooperative Agreement, a rationale for national staff salaries was submitted to USAID/Manila on January 7 and 13, 2004; a response is pending as of April 7, 2004.
- The USDA wheat monetization funds that co-financed Gobi Initiative were fully expended as of March 31, 2004. Since these funds were available to support the start-up of Gobi II (as well as fund most of the final year of Gobi I), total expense under the Gobi II Cooperative Agreement for the first quarter will not exceed \$180,000.

- Chief of Party Steve Zimmerman traveled to Washington DC from April 5 to 7, 2004 to meet with Mongolian Ambassador to the US, R. Bold, in order to brief him and the Mongolian Embassy staff on Mercy Corps activities in Mongolia and the region. Visits were also made to various offices within USAID, USDA and the US State Department. At USAID, Mongolia Desk Officer Calista Downey organized a briefing on the Gobi II program.
- A one-page Gobi II summary document was produced for inclusion in a USAID/Mongolia briefing package and a Gobi II brochure was printed in both English and Mongolian for distribution to the public-at-large.

CONCLUSIONS AND RECOMMENDATIONS

Overall, the project is on schedule. Business planning was completed and the herder groups/cooperatives have begun implementation of the agreed-upon business activities. Planned training and technical assistance has been scheduled out for the entire year with an initial eighteen (18) activities occurring as anticipated during the first quarter. Thirteen (13) herder groups became cooperatives during the first quarter with twenty-two (22) remaining to complete the transition; the primary focus was on those groups that had identified a need for external financing as had been planned. Nine (9) non-herder business clients have been selected for long-term technical assistance, one more than the originally planned eight. The loan collateral program is ready to go and suppliers for provision of machinery and equipment needed for the new herder business activities are in the process of being identified. Completion of the business planning process, finalization of the list of non-herder business clients and negotiation of the loan guarantee agreements with the banks all took longer than anticipated, but not to the extent that it impacted overall first quarter results.

Identification of in-country agricultural machinery suppliers has been difficult since many importers do not believe that sufficient demand exists for these products and those that do cater to the demand often have only a limited stock on hand and a very limited selection from which to choose. The Agricultural Trade Fair included suppliers of such equipment, but the herders found the equipment to be more than what they required and, as a result, much more costly than originally planned. To overcome this constraint, GI staff have (a) contacted reliable importers to determine if they could import specific predetermined items, (b) talked with the Ministry of Agriculture concerning possible access to their large inventory of warehoused tractors, (c) researched the possibility of obtaining good condition used equipment and (d) investigated options concerning local production of smaller hand tools.

There was dramatic progress with respect to the evolving relationship between Ivanhoe Mines and GI program clients as contracts worth more than \$100,000 were signed between ger and ger furniture makers and Ivanhoe. Work with respect to other cluster linkages has yet to begin, primarily since the EPRC project has initially focused its efforts in areas other than cashmere and meat production.

Mercy Corps has also decided that it is "back to basics" with respect to the herder associations/NGOs. Although at least one (the association in Govi-Altai) seems to be on track, there is currently not a common understanding as to what these entities actually are or should be, and it is not clear as to whether or not they represent the interests of their respective constituencies.

The RBN magazine will start the year with fewer subscribers than anticipated, but initial obstacles with respect to subscription renewals and delivery through the postal services are being worked out. The main goal for the team is to set up a sustainable increase in readership along with improved story quality. The project continues to face the challenge that most rural citizens still expect to receive the magazine for free, but as the content becomes more relevant to their economic needs and interests, the expectation is that they will subscribe. Because RBN is now more market demand-driven, we are beginning to receive a much clearer indication as to where such a niche publication really stands in the market. With the drop in print sales, consideration is also being given to greater use of other forms of media. Our efforts in this area will be more fully covered in future reports.

At this point in time, Mercy Corps and Pact have no recommendations for any material changes to the GI Phase II program. With the program now underway, more telling results will become evident in the second and third quarters of the year.

This concludes the Year One First Quarter Report. Attachments to this report are:

- Annex 1 - Summary of Herder Group/Cooperative Business Plans
- Annex 2 - Sample Business Plan
- Annex 3 - Umnugovi Training and Technical Assistance Schedule
- Annex 4 - Training and Technical Assistance - First Quarter

Annex 1:
SUMMARY OF HERDER GROUPS / COOPERATIVE BUSINESS PLANS

Name	Soum	Loc	Type	Activity
BAYANHONGOR				
Baidragiin Khishigt	Bumbugur	BH	C	vegetable production
Biir	Ulziit	BH	HG	airag/milk/dairy products
Bunkhan Sair	Baatsagaan	BH	C	vegetable/fodder production
Khalbagant	Bayanlig	BH	HG	camel milk/curd production
Khavchaar	Buustagaan	BH	HG	dairy (goat) production
Malchin Ireedui	Bayanlig	BH	C	mongol/buryad boot production
Mal Munkh	Bumbugur	BH	C	vegetable production
Modon Ovoonii Ekhlel	Jinst	BH	C	vegetable production
Nuur Khatavch	Zag	BH	HG	dairy cream production
Orogiin Dolgio	Bogd	BH	C	felt production
Tangad	Jargalant	BH	HG	butter production
Tsenheriin Tsurai	Bayan-Undur	BH	C	vegetable production
DUNDGOBI				
Alagiin Devshih	Deren	DG	C	airag production
Bulag	Saintsagaan	DG	HG	meat production
Dalan	Delgerhangai	DG	HG	felt processing
Devjin	Khuld	DG	C	camel milk/curd production
Gal Michid	Luus	DG	C	felt processing
Khamtiin Sanaachilga	Saintsagaan	DG	C	cow milk/dairy products
Logiin Gobi	Saintsagaan	DG	C	vegetable/fodder production
Narangobi	Saintsagaan	DG	HG	felt boot production
Oldokhiin Devjikh	Khuld	DG	C	meat production
Ongi	Saikhan-ovoo	DG	HG	vegetable production
Togrogiin Igeltsel	Khuld	DG	C	trading-sale of raw materials/goods
GOBI-ALTAI				
Ajiin Gerel	Altai	GA	C	gas station
Bus Khairkhan	Tonkhil	GA	C	gas station/food trade
Deed Oglog	Tseel	GA	C	elite animal breeding/vet services
Devshil	Yusenbulag	GA	HG	dairy products
Eejiin Tsatsal	Tsogt	GA	C	dairy products
Khairkhan	Jargalan	GA	HG	vegetable production (potatoes)
Khurimt	Khaliun	GA	HG	cow & goat milk/airag/vegetables
Narlag Ogoomor (Tungalag)	Tugruk	GA	C	camel milk soft drink
Ovoon Den	Khokhmorit	GA	C	elite animal breeding
Shand	Sharga	GA	HG	dairy products
Sutai	Tonkhil	GA	HG	meat production
Tsagaan Gol	Bugat	GA	C	elite animal breeding
Urnukh Buyan	Yusenbulag	GA	HG	cow & goat milk/dairy products
GOBISUMBER				
Badrah Shand	Sumber	GS	C	vegetable/hay production
Bilgyin Dalai Ekh	Sumber	GS	C	milk/yoghurt production
Heentsii	Sumber	GS	HG	elite animal breeding
Mandal Sansar	Shiveegobi	GS	C	summer camp/vegetable & hay prod
Sumber Tsagaan Temeet	Sumber	GS	C	hay production
UMNUGOBI				
Aduut Gobi	Hurmen	UG	C	vegetable production

Bat Amgalan Hurkh	Nomgon	UG	C	dairy products
Bumbat-Urjikh	Tsogttsetsii	UG	P	veterinary services
Delgereh Shar Huv	Bulgan	UG	C	vegetable production
Enger Tsagaan Khairhan	Tsogttsetsii	UG	LLC	gas station
Gobi Tulga	Hanhongor	UG	C	elite animal breed/meat/milk/skins
Goviin Buyan Delgereh	Hanhongor	UG	C	elite animal breed/meat/milk/skins
Hantiin Huch	Hanhongor	UG	HG	vegetable production
Hongor Ovoo	Bayandalai	UG	HG	elite animal breed/meat/milk/skins
Huren Hana	Noyon	UG	HG	ger rope/camel wool & felt products
Naran Zug Melmii	Noyon	UG	P	veterinary services
Ulgii Mandal	Mandal ovoo	UG	C	fodder production
Zuramtai	Bayandalai	UG	HG	elite animal breed/meat/milk/skins
UVURHANGAI				
Arvijh	Bayan-Undur	UH	C	pork processing
Aviat Aman Bulag	Zuunbayan	UH	C	vegetable/fodder production
Bayanduhum	Baruunbayan	UH	HG	vegetable/fodder production
Bayandulguun	Usunzuil	UH	C	ger camp
Bayanzulegt	Hujirt	UH	C	vegetable/fodder production
Dulguun Devshil	Zuunbayan	UH	C	wool combing/felt production
Hatan Mod	Uyanga	UH	C	vegetable production
Hatan Olon	Guchin-Us	UH	HG	elite animal breeding
Hiadiin Gobi	Burd	UH	C	vegetable/fodder production
Ideenii Deed	Uyanga	UH	C	butter production
Munkhigurvan Khairkhan	Nariinteel	UH	C	vegetable/fodder production
Ongon Mandal	Burd	UH	C	milk production
Ugalz Buman Sureg	Tugrug	UH	C	felt processing
Uguuj Chandmani	Tugrug	UH	C	milk/dairy products
Urjin Devshih	Arvaikheer	UH	C	milk/dairy products
Uguuj Teel	Nariinteel	UH	C	vegetable/fodder production
Usguh-Erdene	Baruunbayan	UH	C	elite animal breeding
Zuunbogdiin Uguuj	Bogd	UH	P	vegetable/fodder production

Key:

C = Cooperative

HG = Herder Group

LLC = Limited Liability Company

P = Partnership

FINAL VERSION

‘BILGYIN DALAI EKH’

GOBISUMBER AIMAG

Sumber soum, Three bagh
Teregt

**‘DAIRY PRODUCTION’
BUSINESS PLAN**

Developed by: Sh. Gantulga
Consulted by G. Tuvshinbayar

7 December 2003

I. EXECUTIVE SUMMARY

ORGANIZATION:

- Name of the entity: 'BILGYIN DALAI EKH'
- Legal status: Cooperative
- Location: Gobisumber aimag, Sumber soum, Teregt
- Activity area: Dairy production
- Head/Leader of the group: Sharavdorj GANTULGA

MISSION:

To meet the needs of the Aimag center residents, hospitals, kindergartens, schools by providing quality dairy products. The group will sell non processed milk and processed dairy products such as yogurt, dried yogurt, sour cream and traditional dairy products made from Siemental and black and white breed cow's milk based on contracts.

OBJECTIVES:

- In 2004, the cooperative will bring 10 cows to the milking site and sell 18,000 liters of milk and 7,200 liters of yogurt. Also the cooperative will train the technician for cow insemination and organize year-round cycle of producing young animals
- In 2005, the cooperative will bring 15 cows to the milking site and sell 21,600 liters of milk and 9,000 liters of yogurt
- In 2006, the cooperative will bring all 20 cows to the milking site and produce products in whole capability

BASE OF SUCCESS:

Main factors that will influence on the success:

1. Well known among aimag residents and organizations
2. Has settled down dairy facility
3. Experience in related business

EXPECTED RESULTS:

Indicators	2004	2005	TOTAL
Selling income	10.800.000	13.140.000	23.940.000
Net profit	1.822.867	2.640.950	4.463.817

FUNDING:

Total investment	1,800,000
Own source	1,890,000
Amount of needed loan	2,500,000
Other source	-

RISK:

Possible Risks	Ways to overcome these risks
Natural disaster	To prepare sufficient supply of fodder and hay
Insemination of milk breeding cows	To plan year-round insemination cycle of cows, to prepare technician and be involved in training
Animal diseases	Regular veterinary service

II. INTRODUCTION OF THE BUSINESS:

Aimag	Gobi sumner
Soum	Sumber
Bagh	III bagh
Group name:	‘Bilgyin dalai ekh’
Establishment date:	2001, December
Number of households in the group	4 households
Total population of the group	21: out of that 12 men, 9 women.
Master herders name	Sharavdorj Gantulga
Total number of livestock of the group	418, out of which:
• Camel	4
• Horse	33
• Cattle	40
• Sheep	198
• Goats	143

COOPERATION HISTORY OF THE GROUP:

- Cooperative members were involved in animal health and supplemental fodder trainings in 2003
- The chairman participated in Gobi regional cooperative development conference, business conference of the aimag and business training for master herders held Umnugobi aimag
- In April 2001 they bought 20 cows from Tumentsogt soum of Tuv aimag and started dairy production
- Cooperative members built dairy production facility
- The cooperative got a loan from Soum development foundation
- In July and September of 2002 the group got One-on-One consultant services on dairy production technology and Business plan

CURRENT SITUATION:

The cooperative supplies dairy products to aimag center individuals and organizations based on contracts. For the facility they have a cattle barn, shelter, production facility with no heating. Employed are 3 permanent workers. Due to not having technicians in insemination of cows the profit from selling dairy products decreases in winter. They use Denmark freeze-dried lactic culture for making yogurts and soured crème.

SWOT ANALYSES:

Strength	Weakness
<ul style="list-style-type: none">▪ Location is closer to the aimag center and soum center▪ Cooperative members have good experience on livestock husbandry▪ Group leader and members have active motivation, initiative and desire▪ Have been cooperating with the Gobi Initiative for over two years• They sell dairy products on contract bases	<ul style="list-style-type: none">▪ Could not organize insemination of cows▪ Does not have experience in selling of packaged products▪ Not enough experience to operate organized business▪ The group doesn't have fund to invest
Possible threat	Possibility
<ul style="list-style-type: none">▪ Profit loss due to improper insinuation of cows and may cause infertility in livestock▪ Animal loss from natural disaster and bad rate of winter survival	<ul style="list-style-type: none">▪ To fatten the male calves and sell on market▪ Sell the products on bigger market using the better location and communication▪ Have further cooperation with the Gobi Initiative and get technical assistance

FUTURE BUSINESS PERSPECTIVE OF THE GROUP:

They are intended to expand dairy production, prepare sufficient fodder and hay, train technician, sell male calves on market and exchange the current milk cows by high productivity cows and shorten the milking time using electric milking apparatuses

BUSINESS PURPOSE:

The cooperative will supply dairy products with good quality and proper standards to individuals and organizations for round year.

THE REASON FOR THIS TYPE OF BUSINESS OPERATION:

- During the natural disaster in 2000 they lost half of animals. From the learnt lesson they decided to establish dairy farm, which was very close to the market
- They observed that having the infrastructure advantage they would increase production output from selling on UB and Dornogobi aimag markets

EXPECTED RESULTS FROM THE FOREGOING BUSINESS:

- Satisfy the customers' demand
- Develop as a cooperative model for other herder groups
- Increase the cooperative members' income and operate sustainably

III. MARKET SITUATION:

PRODUCTION/SERVICE:

- Even the herders sell the milk on local market the demand is still high
- Consumption in milk and yogurt is high in winter but supply of dairy products decreases

MARKET LIQIDITY:

- Population of Gobisumber aimag center 9,000
- Number of households in aimag center center 1,900
- Annual demand of milk on market is 1,500 liters and we consider that average growth of market in milk is 1.5-2.0%

CONSUMERS OF OUR PRODUCTS:

Population of aimag center and schools, hospitals and kindergartens

COMPETITORS:

Herders from nearest soums

DISTRIBUTION CHANNELS:

Airag will be sold by whole sale and retailing

NEW MARKET SHARES:

- 80% of local market in winter
- 60% of local market in summer

IV. MARKETING PLAN

MARKETING COMPLEX:

A. Product:

- We produce milk and other dairy products from Semental and Black spotted breeding cows

B. Price:

- Price strategy: Product price strategy will be a strategy of market price
- Price setting method: Will use the average price of the current market when set the price
- Product price : Here are the average market price of airag in the market

Product	Measurement unit	Price /tugrug/
Cow milk during summer	Liter	350-400
Cow milk during winter	Liter	500-550
Yogurt in summer	Liter	400-450
Yogurt in winter	Liter	500-600

C. Promotion

Use the following methods for the promotion :

- Aimag center TV, FM 101.9 radio station, advertisement
- Local newspapers Khadag, Khamtiin khuch announcement
- Speech from mouth to mouth
- Advertising baord
- Will spend 150.0 MNT for promotion annually.

D. Distribution

Distribution channels:

- Deliver themselves the product to the customers
- Sell through Gankhuyag's shop in Deren soum center
- Sell a new airag Ger-Bar in aimag center
- Sell in whole sale to the dairy product traders-changers
- Vehicles:
- Animal drawn transport

V. PRODUCTION AND INVESTMENT PLAN:

COW HERD TURNOVER IN 2004:

Age	Sex	Number of livestock by the beginning of the year	Income						Expenditure						Possible number by the end of the year	
			Offspring	Bought	Moved in	Missed the ages	Other	Total	Internal consumption	Sold	Moved out	Missed the ages	Dead	Miss carried		Total
1 year old	male	10	7					7				10			10	7
	Fem.	3	8					8				3			3	8
2 year old	male	1				10		10				1			1	10
	Fem.	6				3		3				6			6	3
3 year old	male	1				1		2				1			1	1
	Fem.	18		4		6		26	4			18			22	10
4 year old more than 4	male					1										1
	Fem.					14										14
Sires		1														1
Total :	male	13	7	0	0	12	0	19	0	0	0	12	0	0	12	20
	Fem.	27	8	4	0	23	0	37	4	0	0	27	0	0	31	35
Total		40	15	4	0	35	0	56	4	0	0	39	0	0	43	55

COWS HERD TURNOVER IN 2005:

Age	Sex	Number of livestock by the beginning of	Income						Expenditure						Possible number by the end of the year	
			Offspring	Bought	Moved in	Missed the ages	Other	Total	Internal consumption	Sold	Moved out	Missed the ages	Dead	Miss carried		Total
1 year old	male	7	11					11				7			7	11
	Fem.	8	9					9				8			8	9
2 year old	male	10				7		7				10			10	7
	Fem.	3				8		8				3			3	8
3 year old	male	1				10		10				1			1	10
	Fem.	10				3		3	1			10			11	3
4 year old more than 4	male	1				1		1							1	1
	Fem.	14				10		10	3						13	21
Sires		1														1
Total :	male	20	11	0	0	18	0	29	0	0	0	18	0	0	19	30
	Fem.	35	9	0	0	21	0	30	4	0	0	21	0	0	35	41
Total		55	20	0	0	39	0	59	4	0	0	39	0	0	54	71

PRODUCTION PLAN:

10 COWS WILL BE USED IN THE FIRST YEAR:

Name of the product	Measuring unit	Amount of milk from a cow	Number of mares	Dairy products in 2004		Dairy products in 2005	
				Internal consumption	Sale on the market	Internal consumption	Sale on the market
Cow milk	Liter	1,800	10	1,800	16,200	1,800	21,600
Yogurt	Liter		10	720	7,200	900	9,000
Total				2,520	23,400	2,700	30,600

NEEDED INVESTMENT FOR THE FIRST LAUNCH OF THE BUSINESS:

Activities to carry out, animals and equipments to buy	Measuring unit	Quantity	Price per unit /MNT /	Total price /MNT
Milk cooler	Set	1	1.000.000	1.000.000
Insemination equipment accessories	set	1	200.000	200.000
Deep frozen semen equipment	Set	1	700.000	700.000
To expand dairy farm			1.000.000	1.000.000
Fodder cutting equipment	Set	1	300.000	300.000
To buy cows	Pc	3	400.000	1.200.000
Total				4.400.000

FINANCIAL SOURCES:

Financial source	Amount in thousand ¥	Percentage, %
1.Own investment	1.900.000	43.2%
2.Loan	2.500.000	56.8%
3.Other /project /		
Total	4.400.000	100%

VI. MANAGEMENT PLAN:

Management:

Ms. Sh. Gantulga has been a cooperative director for two years and has over 10 years of working experience.

Herders who will work at the farm during milking season:

- Herder D.Altanhuyag 39 years old herding experience for 21 years
- Milk maids S.Tsengelmaa 19 years old herding experience for 2 years

SALARY AND PAYMENT PLAN:

Work position	Number of labor	Monthly rewards	Numbers of months to work	Total
Director	1	50.000	12	600.000
Accountant	1	40.000	12	480.000
Milk maid	1	35.000	12	420.000
Herder	1	35.000	12	420.000
Total :	7			1.920.000

EXPENSE FOR TRAINING AND CONFERENCE:

Name of training	Number of attendants	Expense for per attendant	Total expense	Place to study
Training for technician for insinuation	1	83.400	83.400	UB
Consultancy on dairy products technology	3	15.000	45.000	At cooperative
Training in mineral enriched fodder	3	15.000	45.000	At cooperative
Total			1.734.000	

VII. FINANCIAL PLAN:

SALES INCOME:

Product name	Measuring unit	Unit price	2004		2005	
			Amount to sale	Income	Amount to sale	Income
Milk	Liter	400	16.200	6.480.000	21.600	8.640.000
Yogurt	Liter	500	7.200	3.600.000	9.000	4.500.000
Total			23.400	10.080.000	30.600	13.140.000

CURRENT EXPENSE: 2004

Name of the expense	Amount /thousands¥/
rewards for the herders	1.920.000
expense for fuel	550.000
expense for hay and fodder	800.000
expense for medicine	300.000
expense for foals' facilities: rope, harness and etc	100.000
promotion expense	150.000
expense for equipment repair	350.000
expense for cow purchase	1.200.000
expense for silage	300.000
other expense	590.250
Total	6,260,250

CURRENT EXPENSE: 2005

Name of the expense	Amount /thousands¥/
rewards for the herders	2,040,000,
expense for fuel	550,000
expense for hay and fodder	800,000
expense for medicine	400,000
expense for foals' facilities: rope, harness and etc	100,000
promotion expense	50,000
expense for equipment repair	350,000
expense for cow purchase	1,000,000
expense for silage	1,566,650
Planting of corns for cows feed	300,000
Purchase 2 horses for carts	700,000
Purchase 2 carts	526,350
other expense	600,000
Total	8,983,000

LOAN AND LOAN INTEREST PAYROLL:

Data	Loan to get	repayment	
		loan	Interest (2%)
2004.04	2.500.000		50.000
2004.05			50.000
2004.06			50.000
2004.07		250.000	50.000
2004.08		250.000	45,000
2004.09		250.000	40,000
2004.10		250.000	35,000
2004.11		250.000	30,000
2004.12		250.000	25,000
2005.01		250.000	20,000
2005.02		250.000	15,000
2005.03		250.000	10,000
2005.04		250.000	5.000
Total		2.500.000	425,000

PROFIT AND LOSS CALCULATION:

Indicators	Amount in MNT	
	2004	2005
1. total income	10.080.000	13.140.000
2. total current expense	6.260.250	8.983.000
3. loan interest	175.200	50.000
4. loan paying	1.500.000	1.000.000
5. tax	321.683	466.050
5. net income /profit /	1.822.867	2.640.950

VIII. ACTION PLAN OF ACTIVITY IMPLEMENTATION:

Activities	2004								2005				Responsible person
	3	4	5	6	7	8	9	10	11	12	1	2	
1.Milk cows and sell milk & yogurt													Sh. Gantulga D. Altankhuyag
2. Get the loan													Sh. Gantulga
3. Soil preparation													D. Altankhuyag. Sh. Altankhuu
4. Planting of crops													D. Altankhuyag
5. Build a cellar for making silo fodder													D. Altankhuyag
6. Reconstruct facility													Sh. Gantulga D. Altankhuyag
7. Purchase required equipments													Sh. Gantulga
8. Installation of equipments													N. Gantumur
9. Harvesting of crops													D. Altankhuyag B. Altangerel
10. Hay making													D. Altankhuyag. B. Altangerel
11. Processing of crops													B. Altangerel
12. Reserve the mineral elements to be in making fodder													D. Altankhuyag B. Altangerel
13. Making silo fodder													D. Altankhuyag B. Altangerel Sh. Altankhuu

Annex 3

Umnugovi Aimag Schedule

#		Assistance provided by					Feb			March			April			May			June			July			Month			Month			Name of Group / Soum	Name of Consultant	UB Staff Member	Aimag Program Officer				
		UB consult	Aimag staff	Aimag consult	Similar business	Other orcs	Wk 1	Wk2	Wk3	Wk4	Wk 1	Wk2	Wk3	Wk4	Wk 1	Wk2	Wk3	Wk4	Wk 1	Wk2	Wk3	Wk4	Wk 1	Wk2	Wk3	Wk4	7	8	9	10 to 12								
	Training																																					
1	Felt making technology			1																1													Huren hana - Noyon	Amarjargal UH B. Oyundelger	Myagmarjav	B. Oyunbat		
2	Milk processing technology	1																		1													Bat-Amgalan hurh-Nomgon	S. Tssetsgee	Tornon	B. Oyunbat		
3	Animal fodder production technology	1										1																					Ulgii mandal- Mandal ovoo	Togtobbayar	Myagmarjav	B. Oyunbat		
	Total	2	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0								
	Consultancy																																					
1	Planting and preparing forage crops		1	1									1																				Hongor ovoo - Bayandalai	D. Baraaduuz	Tornon	U. Erdenebileg		
2	Management of private veterinary service	1															1																Naran zug melmii- Noyon	B. Enkhtur	Tornon	U. Erdenebileg		
3	Management of private veterinary service	1															1																Bumbat - Tsogtsetsii	B. Enkhtur	Tornon	U. Erdenebileg		
4	Marketing of cooperative's products	1																	1														Gobi tulga - Hanhongor	S. Tssetsgee	Myagmarjav	U. Erdenebileg		
5	Marketing of cooperative's products	1																	1														Goviin delgereh -Tsogtoovoo	Tsolmonhuu	Myagmarjav	U. Erdenebileg		
6	Business planning		1																		1												Hongor - Bayandalai	U. Erdenebileg	Tornon	U. Erdenebileg		
7	Animal breeding technology				1										1																		Zuramtai- Bayandalai	L. Burmaa	Tornon	U. Erdenebileg		
8	Recordkeeping and Information Networks for private veterinary services		1										1																				Naran zug melmii- Noyon	U. Erdenebileg	Tornon	U. Erdenebileg		
9	Recordkeeping and Information Networks for private veterinary services		1											1																			Bumbat - Tsogtsetsii	U. Erdenebileg	Tornon	U. Erdenebileg		
10	Planting and preparing forage crops		1										1																				Zuramtai- Bayandalai	D. Baraaduuz	Tornon	U. Erdenebileg		
11	Vegetable planting and storage				1								1																					Hamtiin huch- Hanhongor	A. Oyuntuya T. Ulambayar	Tornon	N. Algirmaa	
12	Vegetable planting and storage				1								1																					Delgereh shar huv- Bulgan	A. Oyuntuya T. Ulambayar	Tornon	N. Algirmaa	
13	Vegetable planting and storage				1												1																	Aduut gobi - Hurmen	A. Oyuntuya T. Ulambayar	Tornon	N. Algirmaa	
14	Fuel transportation, storage & measurement	1										1																						Enger t. hairhan-Tsogtsetsii		Tornon	B. Oyunbat	
15	Marketing	1											1																					Enger t. hairhan-Tsogtsetsii	Tsolmonhuu	Tornon	B. Oyunbat	
16	Marketing	1											1																					Ulgii Mandal- Mandal ovoo	Tsolmonhuu	Tornon	B. Oyunbat	
17	Marketing	1											1																					Huren hana - Noyon	Tsolmonhuu	Tornon	B. Oyunbat	
18	Financial management and accounting				1												1																	Enger t. hairhan-Tsogtsetsii	G.Shurenishig	Tornon	B. Oyunbat	
	TOTAL	8	5	6	0	0	0	0	0	0	1	3	0	0	4	1	1	1	2	2	0	0	2	0	0	0	1	0	0	0	0	0						
	Equipment																																		Potential Vendor			
1	Water syringe, automax and auto syringe			1					1								1																	Naran zug melmii- Noyon	Branch of Vet. Association	Tornon	U. Erdenebileg	
2	Motor pump, water syringe, automax and auto syringe			1					1								1																	Bumbat - Tsogtsetsii	Branch of Vet. Association	Tornon	U. Erdenebileg	
3	Poles, netting, forage seeds, fodder-making machine			1					1							1																		Hongor ovoo- Bayandalai		Tornon	U. Erdenebileg	
4	Poles, netting, forage seeds, fodder-making machine			1					1								1																	Gobi Tulga Hanhongor		Tornon	U. Erdenebileg	
5	Poles, netting, forage seeds, fodder-making machine			1					1								1																	Gobiin bayan delgereh - Tsogtoovoo		Tornon	U. Erdenebileg	
6	Poles, netting, forage crop seeds			1					1								1																	Zuramtai- Bayandalai		Tornon	U. Erdenebileg	
7	Poles, netting, potato seeds and fertilizer			1					1								1																	Hamtiin huch- Hanhongor		Tornon	N. Algirmaa	
8	Poles, netting, potato seeds and fertilizer			1					1								1																	Delgereh shar huv- Bulgan		Tornon	N. Algirmaa	
9	Poles, netting, potato seeds and fertilizer			1					1								1																	Aduut gobi - Hurmen		Tornon	N. Algirmaa	
10	Fodder machine, containers for preparing mineral			1					1								1																	Ulgii mandal- Mandal ovoo		Tornon	B. Oyunbat	
11	Poles and netting			1					1								1																	Bat-Amgalan hurh-Nomgon		Tornon	B. Oyunbat	
	TOTAL		11	0	0	11	0	0	0	0	0	0	0	0	0	9	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0							
	Loan Facilitation																																					
1	Breeding goats			1								1																							Hongor ovoo -Bayandalai		Myagmarjav	Erdenebileg
2	Potato seeds			1								1																							Hamtiin huch- Hanhongor		Myagmarjav	N. Algirmaa
3	Potato seeds			1								1																							Delgereh shar huv- Bulgan		Myagmarjav	N. Algirmaa
4	Potato seeds			1										1																					Aduut gobi - Hurmen		Myagmarjav	N. Algirmaa
5	Dairy cattle, barn, and milking machine			1								1																							Bat-Amgalan hurh-Nomgon		Myagmarjav	B. Oyunbat
6	Breeding animals			1								1																							Goviin.delgereh-Tsogtoovoo		Myagmarjav	B. Oyunbat
	TOTAL		6	0	0	0	0	0	0	0	4	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0							

Annex 4:**Training and Technical Assistance Provided to the Clients during the Year One First Quarter**

Aimag/Soum	Type of Activity	Assistance Provided By		Recipient
		UB	Aimag	
Umnugovi/Tsogttsetsii	Consultancy on transportation, safety & storage of petroleum products		H. Eldevochir	"Enger Tsagaan Hairhan"
Uvurhangai/Guchin Us	Training on cooperative development - management, structure and leadership, operations and marketing, record keeping and reporting, and regulatory compliance		B. Tsengel	"Hatan Olon Hudag"
Bayanhongor/Bayanlig, Jinst, Ulziit, Bogd	Training on cooperative development - management, structure and leadership, operations and marketing, record keeping and reporting, and regulatory compliance		Nyamkhuu	"Halbagant", "Modon Ehlel", "Biir", "Ovoot"
Umnugovi/Mandal-Ovoo, Tsogttsetsii, Noyon	Consultancy on market research, market identification, pricing policies, packaging and product promotion	Mr.Tsolmonkhuu		"Ulgii Mandal", "Enger Tsagaan Hairhan", "Hurenhana"
Uvurhangai/Guchin Us	Consultancy on animal breeding - selection of breeding animals, herd/flock record keeping, specific breed characteristics, and artificial insemination technology		Yondonsambuu	"Hatan Olon hudag"
Uvurhangai/ Baruunbayaan	Consultancy on animal breeding - selection of breeding animals, herd/flock record keeping, specific breed characteristics, and artificial insemination technology		Yondonsambuu	"Usguherdene"
Govi-Altai/Tonhil	Consultancy on cooperative development - management, structure and leadership, operations and marketing, record keeping and reporting, and regulatory compliance		D. Naranchimeg	"Sutai"
Govi-Altai/Tugrug	Training on felt products making - processing, design, stitching methods, embroidery and marketing.		Local Trainer	Local Businesses
Umnugovi/Mandal-Ovoo	Training on animal feeding and production of animal nutrition blocks - feeding of livestock, nutritional requirements, production of mineral feed blocks using locally available raw materials, construction of material presses and marketing	Togotobayar		"Ulgii Mandal"
Uvurhangai/Bayan-Undur	Consultancy on cooperative development - management, structure and leadership, operations and marketing, record keeping and reporting, and regulatory compliance		B.Tsengel	"Urjliin sureg"

Uvurhangai/Zuil	Training on tourism camp management - restaurant service, food and drink preparation, customer relations, how to prepare gers for guests and sight seeing tours		Sodnomdorj	"Bayandulguun"
Govi-Altai/Jargalan	Training on cooperative development - management, structure and leadership, operations and marketing, record keeping and reporting, and regulatory compliance		Naranchimeg	"Khairhan"
Govi-Altai/Bugat	Training on business start-ups - finance/accounts management, tax records, legal regulations, basic marketing skills.		Batbold (Aimag PO)	"Khairhan"
Bayanhongor/Buutsagaan	Training on cooperative development - management, structure and leadership, operations and marketing, record keeping and reporting, and regulatory compliance		Ts. Ochirbal	"Havchaar"
Govi-Altai/Bugat	Consultancy on animal breeding - selection of breeding animals, herd/flock record keeping, specific breed characteristics, and artificial insemination technology		Bukhbaatar (Aimag PO)	"Tsagaan Gol"
Uvurhangai/Bogd, Nariinteel, Baruun Bayan Ulaan	Training on vegetable and animal fodder/forage production - soil cultivation, vegetable seed certification, selection of suitable forage crops, planting methods, crop protection, common diseases and pests of vegetables, harvesting methods, storage and processing		D. Chuluunbat	"Zuun B Uguuj" "Uguuj teel" "Bayantuhum" "Munkh Khairkhan"
Bayanhongor/Jinst, Bayan- Undur, Buutsagaan, Bumbugur	Training on vegetable and animal fodder/forage production - soil cultivation, vegetable seed certification, selection of suitable forage crops, planting methods, crop protection, common diseases and pests of vegetables, harvesting methods, storage and processing		Jigjidsuren	"Modon O Ehlel" "Tsenheriin tsuurai" "Bunkhan sair" "Mal munch", "Baidragiin khishigt"
Umungovi/Hankhongor, Bulgan, Hurmen	Consultancy on vegetable and crop production - soil cultivation, vegetable seed certification, planting methods, crop protection, common diseases and pests of vegetables, harvesting methods, vegetable storage and processing (canning, preserving)		Oyuntuya, Ulambayar	"Hamtiin Huch" "Aduut Govi" "Delgereh shar huv"